



January 30, 2004

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Jennifer J. Johnson, Secretary  
 Board of Governors of the Federal Reserve System  
 20<sup>th</sup> Street and Constitution Avenue, N.W.  
 Washington, DC 20551

VIA FAX

(202) 452-3819 or  
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Re: Docket No. R-1167, Regulation Z  
 Docket No. R-1168; Regulation B  
**Docket No. R-1169; Regulation E**  
 Docket No: R-1170; Regulation M  
 Docket No, R-1171; Regulation DD

**Dear Honorable Governors:**

PFF Bank & Trust (PFF) is responding to the **proposed rules** to **amend the disclosure standards under the** referenced regulations. The **proposal** is to apply the **formatting requirements now applicable** to Regulation P (financial privacy) to Federal Reserve Regulations B, E, M, Z, and DD. PFF generally **supports efforts** to promote **uniformity in banking regulations**; however, in these instances, PFF **strongly opposes the proposed amendments**.

#### **Why PFF Opposes the Proposed Changes:**

PFF **disagrees** that the change **would** facilitate compliance. The proposed changes **would** introduce **both** complexity **and** uncertainty **and thereby** significantly increasing our compliance costs. PFF **also disagrees** that the **changes would** aid consumer **understanding of the** disclosures, PFF **does not believe** there is sufficient evidence that **the existing disclosures are** inadequate. The **proposal would result in significant costs to the bank**.

California's **initial** use of the Regulation P privacy disclosures **drew many complaints** from consumer **groups and** initiated the **process** resulting in the enactment of a more demanding California privacy law known as SB 1. Furthermore, the federal **banking agencies have acknowledged** that the Regulation P privacy disclosures **need to be improved** to ensure that they are more understandable **and** useful to **consumers**.

PFF is concerned that **the** widespread use of a subjective "reasonably understandable" **standard** could **generate** litigation. **Preparing** easily **understandable language** is always **a** challenge with the scope **and** complexity of **the** regulations affected. Disclosures that are integrated with contracts would **form a patchwork** of information **with** contract terms, **making** it difficult for consumers **to discern disclosures from contractual terms**.

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The existing standard of "clear and conspicuous," applied in the referenced consumer regulations, has been used for decades. This standard has been consistently adopted as new consumer protection regulations were promulgated over the years. This standard has guided the industry, is supported with interpretations and case law, and has created a degree of consistency that promotes consumer understanding.

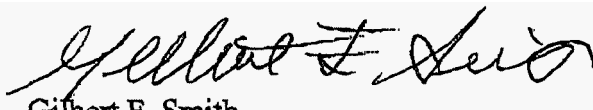
The impact of the proposed changes cannot be overstated. The disclosures at issue are used in large numbers of written consumer agreements, advertising, web pages, etc. The task of reviewing, reformatting, and rewriting the various documents affected is an enormous and costly undertaking.

**Conclusion:**

For the above reasons, PFF cannot support the proposals. Should the Board still proceed to adopt some form of the proposal, PFF recommends that model language be issued together with the new regulations which will constitute a safe harbor from liability and regulatory violations. Any examples provided as guidance should clearly state that they are suggestions only and that the absence or variation from any guideline does not create a violation.

PFF appreciates this opportunity to comment and reaffirms its opposition to the proposal. Any changes ultimately adopted should be narrowly tailored, and should be designed to produce concrete benefits that clearly outweigh additional burdens.

Sincerely,



Gilbert F. Smith  
SVP/General Counsel